

Exhibit A-1

M3 Report

PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE



Analysis of Debtor Proposed KERP and TRP

January 2023



PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE

Executive Summary

On November 28, 2022, BlockFi (the “Debtor”) filed the Motion regarding its Retention Programs, seeking authority to provide a retention program to 127 of its remaining employees for a total of \$12.3MM

113 employees would receive retention bonuses of 50% of base salary and 14 employees would receive retention bonuses of 10% of base salary

General Background

- In July 2022, the company awarded a retention program to key employees [REDACTED] related to the FTX transactions to secure the workforce through February 2023, subject to achievement of certain company-wide goals⁽¹⁾ for a total of approximately [REDACTED] - no payments were made as they were due in February 2023
- BlockFi has proposed a \$12.3MM retention plan covering [REDACTED] of the present workforce (post-RIF completed at filing)
 - KERP – represents payments to 95 employees that were previously part of the legacy bonus programs
 - TRP – represents payments to 32 people not previously included in the legacy bonus programs
- The remaining employees not included in the program represent executive management (as defined by the Debtors, see Appendix)

Review of Comparable Plans

- As part of the review of the Debtors plans, M3 analyzed the comparable set used by the Debtors advisors Willis Towers Watson (WTW), as well as recent crypto related cases. The proposed plans are materially more expansive and expensive than comparable cases⁽²⁾:
 - It should be noted that the retention plan presently contemplated represents approximately [REDACTED] of the July 2022 retention program population, but [REDACTED] of its cost
 - BlockFi proposes bonuses for [REDACTED] of remaining workers, versus 7-34% in the comparable set (25th-75th percentile)
 - Average payout of ~\$97k per person, versus \$24-44k in the comparable set (25th-75th percentile)
 - Total plan cost of [REDACTED] of assets⁽³⁾ versus [REDACTED] in the comparable set (25th-75th percentile)
- Approximately [REDACTED], while [REDACTED] of retention payments are being made available to senior personnel

(1) Source: January 9, 2023 Status Conference Presentation

(2) Comparable cases based upon benchmark conducted by WTW for the Debtors

(3) [REDACTED]

PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE

Summary of Workforce and BlockFi Proposed Retention Population

The Company has materially decreased headcount as most operations have largely ceased, though the remaining [REDACTED] employees still represent an annualized salary of [REDACTED]

There is clear need to retain individuals in areas such as security, technology, finance, and risk to complete the chapter 11 process, but the \$12.3MM contemplated by the retention plan is too broad-based across the employee population

Summary of Requested Retention Bonuses by Division

Division	Workforce At 1/1/22	Current Workforce	Total Salary	Average Salary	Total - Retention Plans			
					#	\$	% of HC	% of Base
Executive ⁽¹⁾		13	\$5,968,300	\$459,100	—	—	—	—
Client Success								
Engineering								
Finance								
Growth								
Institutions								
Legal & Compliance								
Operations								
People								
Private Client								
Product								
Risk								
Security								
Total								

(1) Executive salaries per Schedule of Assets and Liabilities for BlockFi Inc. pages 22 and 23

PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE

BlockFi Retention Plan Requests by Seniority and Level

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

The tables exclude 13 insiders
with base salaries averaging
\$459k

Summary by Salary Range

Salary Range	Headcount	Average Salary	Retention Target
>\$400K	[REDACTED]	[REDACTED]	[REDACTED]
\$300-400K	[REDACTED]	[REDACTED]	[REDACTED]
\$200-300K	[REDACTED]	[REDACTED]	[REDACTED]
\$100-200K	[REDACTED]	[REDACTED]	[REDACTED]
<\$100K	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]

Summary by Level

(Higher Number is More Senior)

Salary Range	Headcount	Salary	Average Salary	Retention Target
L11	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
L10	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
L9	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
L8	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
L7	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
L6	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
L5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
L4	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
L3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
L2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

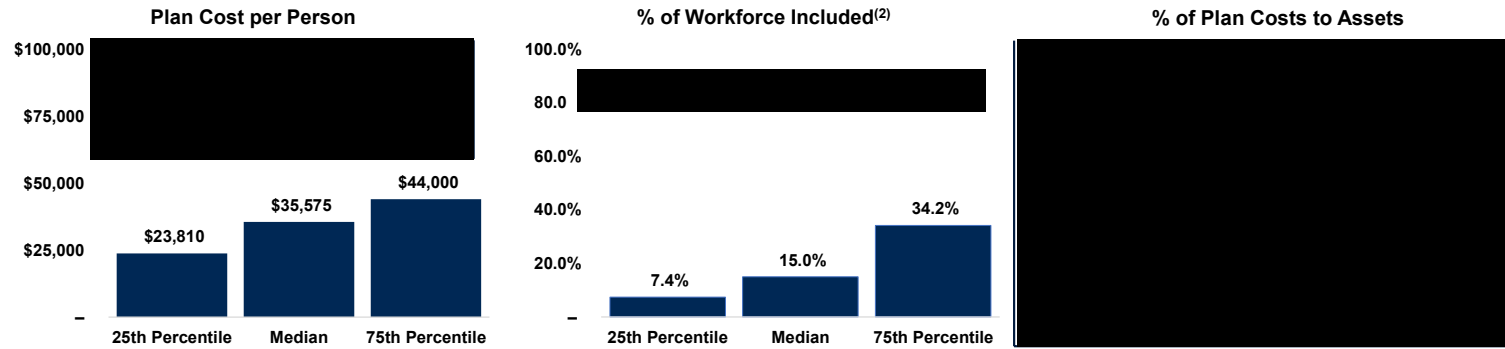
Source: Company information, Schedule of Assets and Liabilities for BlockFi Inc. pages 22 and 23

PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE

Retention Plan Benchmarking

As part of the benchmarking exercise, the WTW and recent crypto comparable plans were reviewed in terms of key metrics including plan costs to assets, plan cost per person, and percentage of workforce included in the plan

Summary of Retention Plan Benchmarking Sample⁽¹⁾



Pro Forma BlockFi Revised Retention Cost

Benchmarking Metric	BlockFi	Market Percentile		Value Multiple		Potential Plan Cost (Rounded)	
		50th	75th	Measure	Unit	50th	75th
Plan as % of Current Workforce ^(A)		15.0%	34.2%		Total workforce		
Plan Cost per Participant ^(B)		\$35,575	\$44,000		Plan participants		
Plan as % of Assets (Excl. Cash & Wallet) ^(C)							
Plan as % of Assets (Incl. Cash & Wallet) ^(D)							
Minimum							
Average							
Maximum							

Calculation Math:
 (A) Market percentile plan as % of current workforce * total workforce = per participant
 (B) Market cost per participant * actual plan participants
 (C) Market plan as % of assets * adjusted assets
 (D) Market plan as % of assets * unadjusted assets

Applying comparable metrics at the 50th and 75th market percentile to the BlockFi situation, results in estimated plan costs ranging from at the high end of the range

Footnotes:

(1) Retention plan benchmarking based on WTW report

(2) % of workforce included accounts for RIFs after filing, where applicable

Source: Company information, WTW Report, court dockets

PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE

Appendix



**PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE**

People Excluded from Retention Plans

Employees excluded from the Retention Plans include executives, department heads, and BlockFi's in-house counsel

BlockFi's executives received monthly salaries totaling \$347k in early 2022 and received raises following the failed FTX transaction

Executive salaries increased 43% following the failed FTX transaction, an increase to BlockFi's burn rate of ~\$151k per month

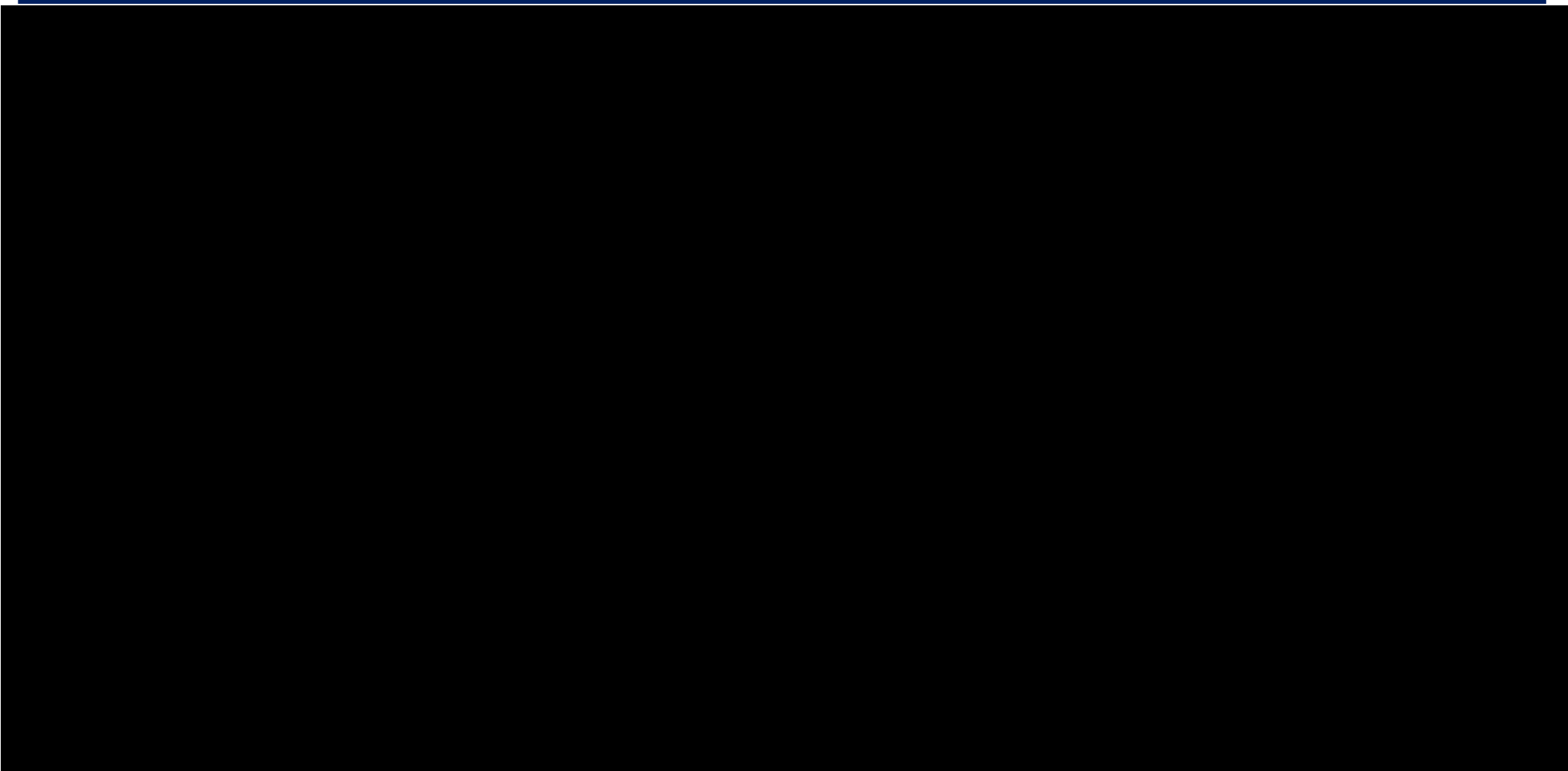
Name	Role	Function	Pre-FTX	Current	% Inc.	Monthly Salary		Inc. to	Inc. to
			Salary	Salary ⁽¹⁾		Pre-FTX	Current	Burn Rate (\$)	
Zac Prince	CEO and Board Member	Executive	\$250,000	\$400,000	60.0%	\$20,833	\$33,333	\$12,500	60.0%
Flori Marquez	Chief Operating Officer	Executive	225,000	500,000	122.2%	18,750	41,667	22,917	122.2%
Amit Cheela	Chief Financial Officer	Executive	282,000	562,000	99.3%	23,500	46,833	23,333	99.3%
Jonathan Mayers	General Counsel	In-House Counsel	350,000	562,500	60.7%	29,167	46,875	17,708	60.7%
Yuri Mushkin	Chief Risk Officer	Executive	440,000	550,000	25.0%	36,667	45,833	9,167	25.0%
Adam Healy	Chief Security Officer	Executive	420,000	525,000	25.0%	35,000	43,750	8,750	25.0%
Alexander Grigoryan	Chief Technology Officer	Executive	350,000	500,000	42.9%	29,167	41,667	12,500	42.9%
Brian Oliver	General Manager of Institutions	Department Head	400,000	500,000	25.0%	33,333	41,667	8,333	25.0%
Robert Loban	Chief Accounting Officer	Executive	300,000	400,000	33.3%	25,000	33,333	8,333	33.3%
Andrew Tam	Chief Marketing Officer	Executive	300,000	375,000	25.0%	25,000	31,250	6,250	25.0%
Megan Crowell	Chief People Officer	Executive	270,000	375,000	38.9%	22,500	31,250	8,750	38.9%
Shannon Allmon	General Manager of Retail	Department Head	300,000	375,000	25.0%	25,000	31,250	6,250	25.0%
David Spack	Chief Compliance Officer	Executive	275,000	343,800	25.0%	22,917	28,650	5,733	25.0%
Total			\$4,162,000	\$5,968,300	43.4%	\$346,833	\$497,358	\$150,525	43.4%

Footnote:

(1) Current salaries reflect salary increases following the failed FTX transaction as well as any salary increases related to promotions

PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE

BlockFi Adjusted Assets for Plan Benchmarking



PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE

Retention Plans Benchmarking

Relative to the benchmark cases, BlockFi's proposed Retention Plans command a substantial premium across a number of metrics including plan cost per person, participants as a percentage of current workforce, as well as plan as a percentage of assets

Companies in the benchmark include peers from the WTW KERP benchmark plus recent crypto cases (Celsius and Voyager Digital)

Company	Total Employees		Total Assets (\$MM)	KERP Participants	Plan Cost (\$MM)	Plan as % of Workforce		Plan Cost Per Person (\$)	Plan Cost as % of Assets
	At Filing	At KERP Plan				At Filing	At KERP Plan		
	1,350	1,350		42	1.0	3.1%	3.1%	\$23,810	
	558	558		183	10.3	32.8%	32.8%	56,284	
	490	490		155	4.9	31.6%	31.6%	31,613	
	630	140		54	1.9	8.6%	38.6%	34,630	
	2,505	NA							
	5,282	NA							
	2,300	2,300		76	7.0	3.3%	3.3%	92,105	
	800	800		51	1.9	6.4%	6.4%	38,047	
	170	170		144	3.3	84.7%	84.7%	22,917	
	1,606	673		125	5.5	7.8%	18.6%	44,000	
	1,800	1,800		288	1.3	16.0%	16.0%	4,522	
	3,100	3,100		125	5.5	4.0%	4.0%	44,000	
	966	966		88	4.0	9.1%	9.1%	45,455	
	328	56		56					
	1,732	1,732		243	5.9	14.0%	14.0%	24,395	
	754	500		483	6.0	64.1%	96.6%	12,422	
25th Percentile						7.4%	7.4%	\$23,810	
Median						10.0%	15.0%	35,575	
75th Percentile						20.7%	34.2%	44,000	
Comparable Crypto Cases									
Celsius	670	167	\$2,840.0	59	\$2.8	8.8%	35.3%	\$48,136	0.1%
Voyager Digital	328	328	1,900.0	34	1.6	10.4%	10.4%	47,059	0.1%
Average - Crypto						9.6%	22.8%	\$47,597	0.1%
BlockFi	374				\$12.3				

Note:

Celsius and Voyager Digital were added to the sample given their relevance. Total assets based on WTW Report.

Source: Company information, court dockets, WTW Report

(1) Information sourced from WTW KERP data set for plan cost and plan cost per participant

PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE

Comparison of Headcount and Assets In Recent Crypto Bankruptcies

Crypto lending platforms saw material losses during the crypto price crash in 2022, and as a result have experienced significant layoffs

Headcount in cases similar to BlockFi were reduced up to 26% at the time of filing (from pre-filing highs) and an additional 75% during the case before retention plans were put in place

Retention plans targeted 10-35% of workforces at the time, or 9-10% of workforces at time of filing, compared to BlockFi's request of

Headcount and Asset Comparison Across Recent Crypto Bankruptcies

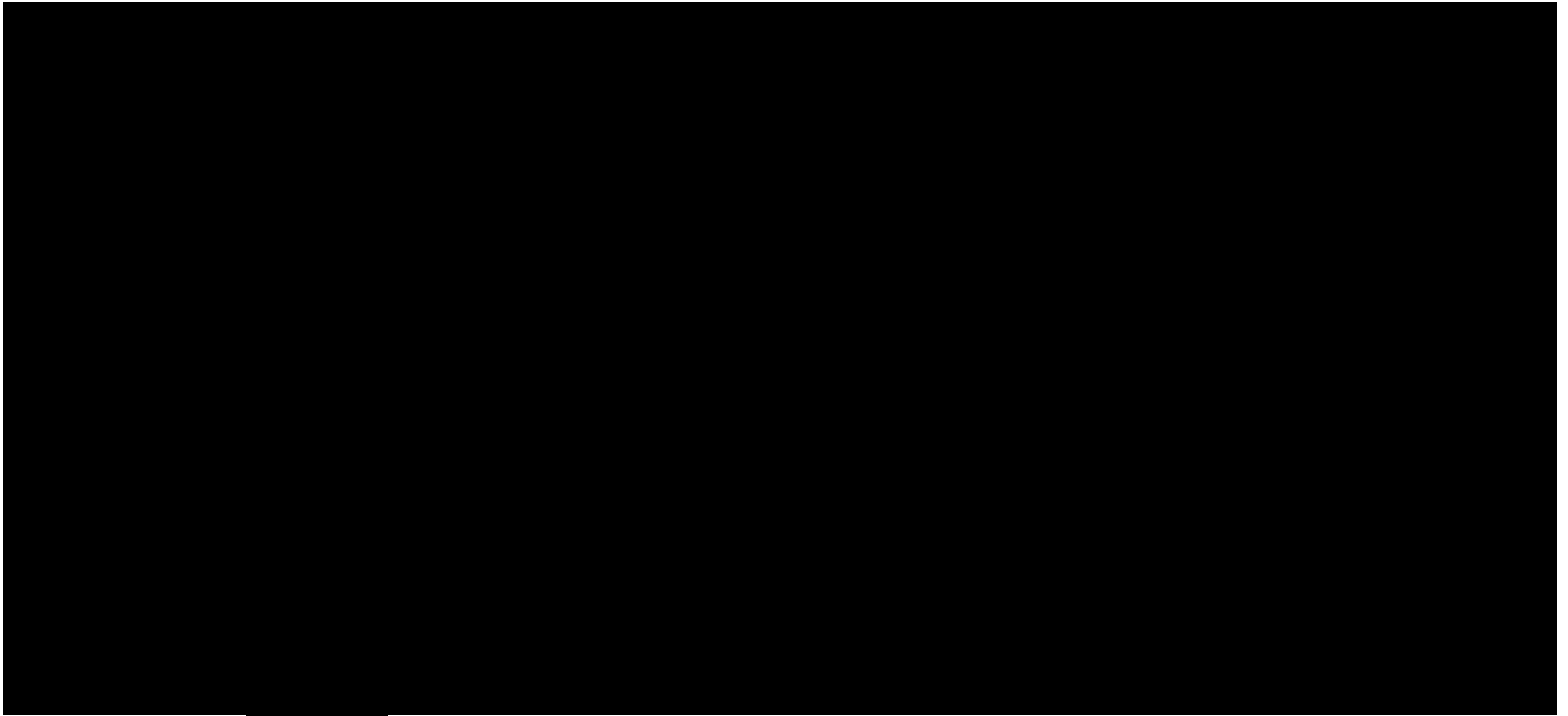
		Celsius ⁽¹⁾⁽²⁾	Voyager ⁽³⁾	BlockFi ⁽⁴⁾
Headcount	Pre-Filing	900	NA	
	On Petition Date	670	328	374
	At KERP Filing	167	328	
	Plan Participants	59	34	
Assets	Pre-Filing	\$22,100	\$5,999	
	On Petition Date	4,300	1,900	
	Crypto Assets at Petition Date	1,746	1,310	
	% of Assets in Crypto	40.6%	68.9%	
Plan Participants	% of Headcount at KERP Filing	35.3%	10.4%	
	% of Headcount at Petition	8.8%	10.4%	
Plan Structure	Tier 1 Payout (% of Salary)	35.0%	22.5%	50.0%
	Tier 2 Payout (% of Salary)	25.0%	NA	10.0%
	Tier 3 Payout (% of Salary)	15.0%	NA	NA
% of Participants	Tier 1	35.6%	100.0%	88.0%
	Tier 2	44.1%	NA	12.0%
	Tier 3	20.3%	NA	NA

Footnotes:

- (1) Celsius sources include: Celsius docket #1426, Celsius First Day Presentation
- (2) Celsius percentage of participants included in each tier was estimated based on awards as a percentage of base salary as outlined in Exhibit B of Celsius Docket #1426
- (3) Voyager sources include: Voyager docket #330, Voyager quarterly financials
- (4) BlockFi sources include: BlockFi docket #21,

PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE

WTW Benchmarking (KERP)

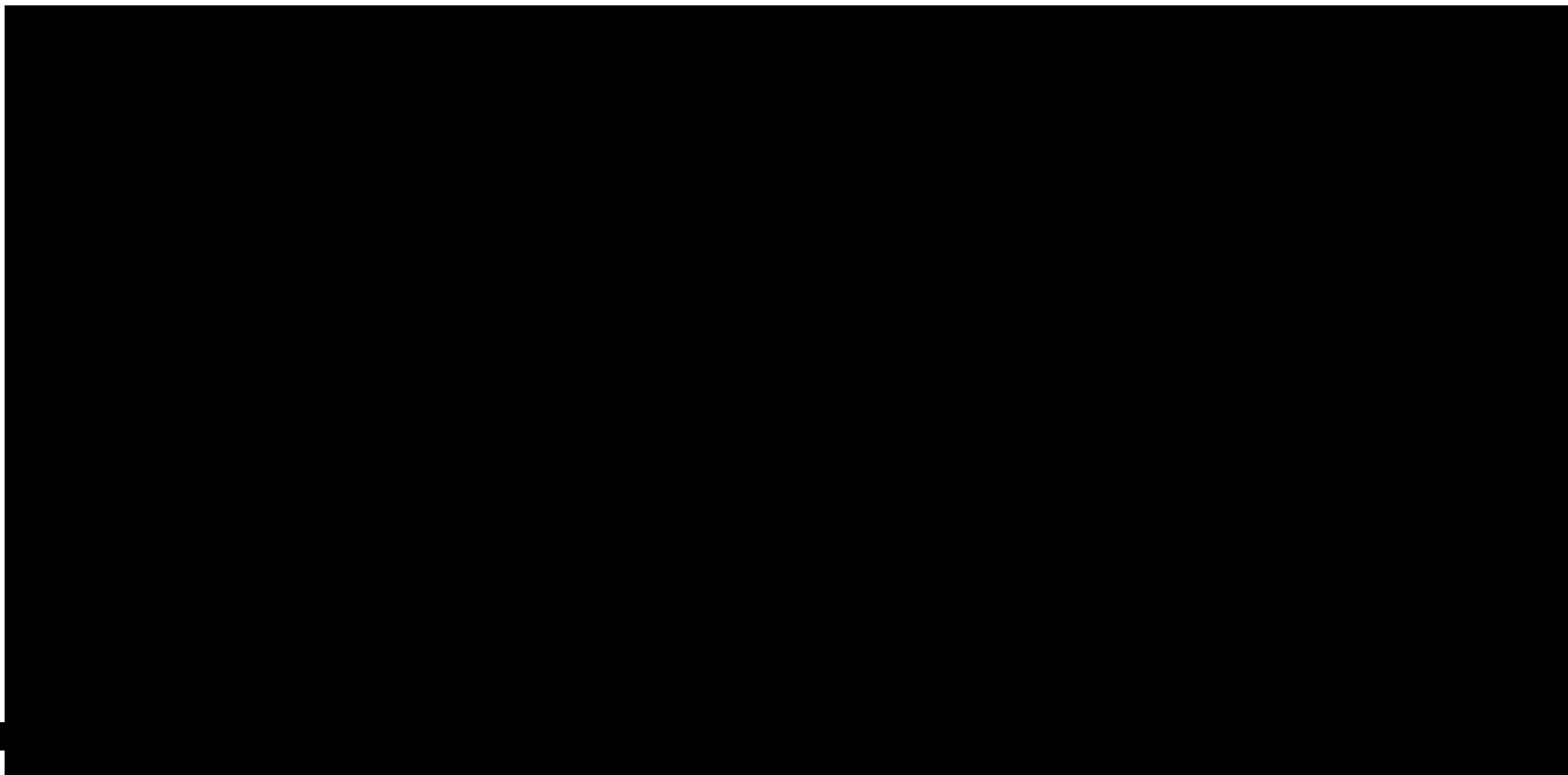


[Redacted text block]

Source: WTW Report

PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE

WTW Benchmarking (TRP)



**PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE DIRECTION OF COUNSEL
DRAFT SUBJECT TO CHANGE**

Disclaimer

This document and the information contained herein ("Document") has been prepared for the informational purposes of authorized Recipients only, and is not intended to provide, and should not be relied on for, investment, lending, tax, legal or accounting advice. Nothing in the Document shall constitute an offer or a solicitation of an offer to buy or sell any products or services or enter into any transaction, including, but not limited with respect to, any securities, financial instruments or other investments or investment advice. Recipients should seek the advice of their own independent professionals prior to making any investment or other decision.

This Document may contain forward-looking statements subject to many variable factors and uncertainties that could cause actual results to differ materially from what is set forth or projected herein. The Document (unless otherwise explicitly stated) is a preliminary draft and subject to change. Notwithstanding the foregoing, M3, Elementus and Brown Rudnick prepared this Document as of the date hereof, and assumes no obligation to update or revise it for any reason whatsoever thereafter.

M-III Partners LP ("M3"), Elementus, and Brown Rudnick LLP ("Brown Rudnick") (collectively, "The Advisors") make no representation whatsoever regarding the adequacy of the Document for any purpose. In conducting analysis reflected in this Document, the Advisors assumed, without verification, the accuracy of information provided to it or obtained from third parties. No one from or any representative of the Advisors shall have any liability to any party for any error or omission with respect to any of the information contained herein. The Advisors may have prepared or in the future may prepare other documents that are inconsistent with, and reach different conclusions from, the information presented in this Document. The Advisors assume no obligation to bring such other documents to a Recipient's attention.

The analysis reflected in the Document would not necessarily reveal any material misstatement, omission or error and does not constitute an audit, review, compilation or other attestation service in accordance with Generally Accepted Accounting Principles or other standards established by the American Institute of Certified Public Accountants. The Advisors do not express an opinion or any other form of assurance on any financial or other information. Had the Advisors or another party performed additional work, including more in-depth verification or analysis, other matters might have come to its attention.

Pursuant to Internal Revenue Service Circular 230 (if applicable), be advised that any discussion of U.S. federal tax issues contained or referred to herein is not intended or written to be used, for the purpose of: (A) avoiding penalties that may be imposed under the internal Revenue code; nor (B) promoting, marketing or recommending to another party any transaction or matter addressed.

The Advisors reserve all rights. Nothing in the Document shall be construed as granting any license or right to use any image, trademark or other intellectual property of the Advisors. Unless otherwise indicated, all capitalized terms used herein have the same meaning as in the Agreement.